

Processed Food Imports Up 11 Percent in 1996

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U.S. trade in processed foods (the sum of imports and exports) in 1996 rose 6.5 percent from 1995—somewhat smaller than the 10.7- and 8.6-percent jumps of the previous 2 years, but strong nonetheless.

Imports led the growth in 1996. Processed food imports averaged a 4-percent annual growth rate over the previous 5 years, but grew an astounding 11.2 percent in 1996 to \$27.8 billion. Exports, by comparison, grew only 2.5 percent to \$30.1 billion, well below their average growth rate for the past 5 years.

The processed food trade surplus (exports minus imports) amounted to \$2.4 billion, down from the record \$4.4 billion in 1995, but still the third largest on record (fig. 1). The 1996 surplus thus continues a pattern of positive balances begun in 1992. Given reasonable assumptions for U.S. economic activity, imports should have continued their strong growth in 1997. Export growth is expected to have rebounded in 1997 to about 4 percent, resulting in a trade surplus of under \$2 billion.

This article covers exports and imports of processed foods, bever-

ages, and related products that fall under Standard Industrial Classification Code 20 (SIC-20). SIC-20 contains 49 food processing industries. The processing may be minor, as in the case of fluid milk, or may be quite extensive, such as for frozen pizza.

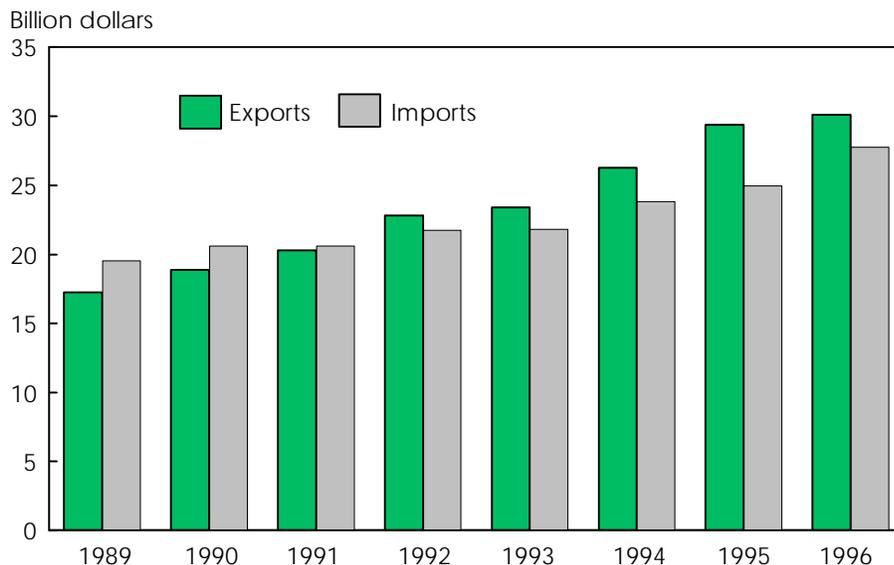
Export Growth Positive, But Smaller Than in Recent Years

Processed food exports continued to grow in 1996, but the 2.5-percent rate was below the average annual

growth of 9.3 percent for the previous 5 years.

Poultry processing registered the largest dollar value increase of the 49 industries—\$488 million over the level in 1995 (table 1). Poultry exports have been among the fastest growing in recent years, averaging a 31 percent growth per year for the past 3 years. With exports valued at \$2.6 billion in 1996, poultry surpassed fish and seafoods as the number two U.S. processed food export industry behind meatpacking, the clear export leader (\$6 billion in exports in 1996). Poultry exports to Russia alone rose from

Figure 1
The Value of the U.S. Processed Foods Trade Surplus Narrowed in 1996



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Table 1
Leading Processed Food Export Industries

Industry	Exports		Change	
	1995	1996	1994-95	1995-96
	Million dollars		Percent	
Meatpacking	6,100	6,008	20.5	-1.5
Poultry slaughtering and processing	2,097	2,585	28.5	23.3
Fresh or frozen fish and seafoods	2,719	2,488	5.3	-8.5
Soybean oil and meal	2,000	2,128	17.3	6.4
Wet corn milling (oil and syrup)	1,418	1,580	3.8	11.5
Canned fruits, vegetables, and jellies	1,012	1,035	16.1	2.3
Salted and roasted nuts and seeds	984	1,225	3.2	24.5
Miscellaneous food preparations	989	1,217	-8.5	23.1
Rice milling	908	912	-2.6	.5
Animal and marine fats and oils	1,039	889	39.2	-14.4
Frozen fruits, fruit juices, and vegetables	804	823	15.3	2.4
Flavoring, extracts, and syrups	681	787	-6.5	15.6
Distilled and blended liquors	744	687	22.9	-7.6
Dried fruits, vegetables, and soup mixes	651	675	4.8	3.7
Prepared animal feed	650	593	7.8	-8.7
Dry, condensed, and evaporated milk	595	544	12.5	-8.5
Pet food	433	534	12.1	23.4
Malt beverages	526	453	34.5	-13.8
Vegetable oil, except corn, cottonseed, and soybean	543	437	69.8	-19.6
Canned and cured fish and seafoods	426	421	-.1	-1.4
Chocolate and cocoa products	356	400	-7.0	12.3
Flour and grain mill products	439	349	13.2	-20.5
Wines, brandy, and brandy spirits	246	330	22.2	34.1
Pickled vegetables, sauces, and salad dressings	255	282	8.4	10.7
Cane and beet sugar ¹	304	238	21.3	-21.7
Bread and other bakery products	220	230	-6.1	4.4
Potato chips, corn chips, and similar snacks	226	222	-10.2	-1.8
Soft drinks and carbonated waters	306	215	-4.6	-29.8
Roasted coffee	182	199	28.2	9.4
Candy and other confectionery products	171	189	3.6	10.6
Cereal breakfast foods	169	177	-8.2	5.1
Sausage and prepared meats	123	148	-14.6	21.0
Prepared flour mixes and doughs	109	139	-7.4	27.9
Shortening, table oils, and margarine	122	136	27.4	10.8
Cookies and crackers	109	116	2.6	5.9
Natural, processed, and imitation cheese	89	105	24.5	17.2
Ice cream and frozen desserts	87	94	-3.4	7.7
Canned specialties	88	87	-6.4	-1.1
Cottonseed oil	107	80	6.5	-25.4
Chewing gum	60	62	-16.7	3.5
Frozen bakery products, except bread	53	62	9.0	16.4
Frozen specialties	59	57	-3.5	-2.9
Malt	42	45	40.1	5.5
Creamery butter	63	42	-41.9	-33.7
Fluid milk	38	42	-44.1	11.2
Macaroni, spaghetti, vermicelli, and noodles	41	42	3.8	4.1
Manufactured ice	8	4	-8.7	-41.4
Total, all industries	29,390	30,116	12.0	2.5

Note: ¹Combines three cane and beet sugar industries into one industry.

Table 2

Japan and Canada Are the Largest Markets for U.S. Processed Foods

Market	Exports		Share of SIC-20 exports	Cumulative share of SIC-20 exports	Change	
	1995	1996			1994-95	1995-96
	Million dollars		Percent		Percent	
Japan	7,557.9	7,209.8	23.9	23.9	12.3	-4.6
Canada	4,201.7	4,548.7	15.1	39.0	4.7	8.3
Mexico	1,649.1	2,005.3	6.7	45.7	-31.4	21.6
South Korea	1,664.9	1,511.0	5.0	50.7	29.1	-9.2
Russia	968.2	1,281.9	4.3	55.0	65.5	32.4
Hong Kong	1,013.0	1,116.6	3.7	58.7	30.0	10.2
The Netherlands	919.1	935.9	3.1	61.8	12.0	1.8
United Kingdom	742.1	828.3	2.8	64.5	9.4	11.6
Taiwan	781.0	753.9	2.5	67.0	14.8	-3.5
Germany	596.1	731.3	2.4	69.5	11.3	22.7

\$84 million in 1993 to \$914 million in 1996, accounting for 35 percent of U.S. poultry exports. Other major consumers of U.S. poultry include Hong Kong, Japan, and Mexico.

Six other industries had export gains of more than \$100 million in 1996: salted and roasted nuts, miscellaneous food preparations, wet corn milling (oil, starch, and high-fructose corn syrup), soybean oil, beverage flavorings and concentrates, and pet food. Wines, brandy, and brandy spirits had the largest percentage jump (34.1 percent) over its 1995 export value, and prepared flour mixes and doughs increased 27.9 percent. However, both of these industries are relatively small, with a combined value of only 1.5 percent of total U.S. processed food exports.

The top 3 exporting industries (meatpacking, poultry, and fish) were responsible for 37 percent of total processed food exports in 1996, while the top 10 industries accounted for two-thirds of U.S. exports.

The Netherlands, United Kingdom, and Germany are all among the top 10 markets for U.S. processed food exports, and U.S. exports have grown substantially to each of these countries during the

1990's (table 2). Germany is new to the top 10 this year, replacing China. The value of U.S. processed food exports to Germany grew 22.7 percent in 1996, reflecting big increases in nuts, wine, soybean oil, rice milling, and pet foods.

Among the top 10, the largest export growth was to Russia, a 32.4-percent increase over 1995, followed by Germany (22.7-percent increase), and then Mexico (21.6-percent increase). Major exports to Mexico include meat and poultry products, animal and marine fats and oils, wet corn milling products such as high-fructose corn syrup, and soybean oil milling products (soybean oil, cake, meal, and concentrate). The large export growth to Mexico comes on the heels of a 31-percent decline in 1995 due largely to the peso devaluation in December 1994, which made U.S. imports more expensive for Mexican consumers. Beginning in 1996, the Mexican economy began recovering, with gross domestic product (GDP) growing over 5 percent, making food imports from the United States more affordable.

Eighteen of the 49 processed food industries had lower exports in 1996 than in 1995, and another 12 had growth rates below the average

annual growth of exports for the previous 5 years. Only two of the industries with yearly exports over \$1 billion suffered declines—meatpacking (which includes shipments from both beef and pork packing plants) and fresh/frozen fish and seafoods. However, because meatpacking is the largest U.S. export industry, even its small decline of 1.5 percent amounted to a \$92-million decrease. Nearly all of this decline was due to lower beef exports to Japan, South Korea, and Taiwan due to concerns over the possibility of pathogens in meat and other food safety concerns and the strength of the dollar against the South Korean won. The decline in fresh/frozen fish and seafood was even more sizable, \$230 million, as fish and seafood exports to Japan declined for the same reasons as for beef.

Although Japan continues to be the largest export market for U.S. processed foods, with 24 percent of total 1996 processed foods exports, the value of U.S. shipments to Japan fell 4.6 percent in 1996. U.S. food exports to three other Asian trading partners (South Korea, Taiwan, and China) fell as well between 1995 and 1996. Shipments to China fell 14.9

percent, due primarily to a decline in purchases of soybean oil.

Among the top 50 destinations, the largest percentage growth by far was to Latvia, a 267-percent increase over 1995 totals. Much of this increase likely was resold to Russian merchants. Finland was second, with an 86-percent increase, followed by Israel at 54 percent. The largest declines among the top 50 were to Algeria, down 61.5 percent; Brazil, down 41.6 percent; and Egypt, down 27.6 percent.

Strong U.S. Economy Boosts Imports

The strong import growth was largely due to rising U.S. per capita incomes and the high value of the dollar against many of the world's major currencies. Inflation-adjusted incomes of Americans rose an average of about 2 percent in each of the last couple of years, while in 1996 the dollar rose about 16 percent against the Japanese yen and 5 percent against the German mark. As the U.S. dollar appreciates, imported goods become relatively less expensive for U.S. consumers.

Imports for 33 of the 49 food industries increased by 10 percent or more in 1996 (table 3). Many of these industries, however, started from a fairly small base. For example, imports of prepared flour and flour mixes increased 50 percent from \$40 million to \$60 million, while ice cream imports also increased 50 percent from \$2 million to \$4 million. Of the larger industries, cane sugar became a billion-dollar import in 1996, as a result of a 57.7-percent increase over 1995 import levels. The United States increased sugar import quotas in 1996 due to poor sugar beet crops in 1994 and 1995. Cane sugar imports came primarily from the Dominican Republic, Brazil, Australia, Guatemala, and the Philippines. Cane sugar also registered the largest dollar value increase in imports of all 49 indus-

tries, going from \$760 million in 1995 to \$1.2 billion in 1996.

Chocolate and cocoa products (\$1.4 billion in imports) and wines, brandy, and brandy spirits (\$1.7 billion) also had large percentage increases, 26.6 percent and 23.0 percent, respectively. Major sources of chocolate and cocoa imports were Ivory Coast, Canada, and Indonesia.

Other billion-dollar import industries with double-digit import growth included vegetable oil (\$1.5 billion, up 18.7 percent), canned fruits and vegetables (\$1.7 billion, up 15.1 percent), malt beverages (\$1.3 billion, up 12.5 percent), miscellaneous food preparations (\$1.1 billion, up 11.7 percent), and distilled and blended liquors (\$1.7 billion, up 10.6 percent).

Imports fell in 1996 for only two processed foods industries—fresh/frozen fish and seafood, and sausage and other prepared meats. As with exports, imports are highly concentrated, with the top 3 industries—fish, meatpacking, and canned fruits and vegetables—accounting for 35 percent of U.S. processed food imports (while the top 10 account for 71 percent). Three of the top 10 industries were meat and fish products industries, accounting for 33 percent of total U.S. processed food imports, and three were alcoholic beverages industries, constituting 17 percent.

Canada dominates as a source for U.S. processed food imports (table 4). The United States imported \$5.7 billion in foods and beverages from Canada in 1996, more than one-fifth of total U.S. processed food imports. This was more than three times as much as the United States imported from Mexico, the second leading source country. Leading imports from Canada are red meat products, fresh/frozen fish, vegetable oils, distilled liquors, and chocolate products. Primary imports from Mexico include fresh/frozen fish, malt beverages, frozen fruits and vegetables, and distilled liquors. Thailand,

France, and Italy are also billion-dollar import sources. The United Kingdom, The Netherlands, Brazil, New Zealand, and Australia round out the top 10 source countries. These 10 countries supplied 57 percent of U.S. imports of processed foods. Only two countries in the top 10—Thailand and Australia—reduced their shipments to the United States.

Among the top 10 countries, Brazil and Italy were the fastest growing import sources, with 23.4- and 21.9-percent increases over 1995 import totals, respectively. The largest imports from Brazil were frozen fruits and vegetables, cane sugar, salted and roasted nuts, and chocolate and cocoa products. Italy was a major source of wine, vegetable (mostly olive) oil, cheese, and pasta. Among the top 50 import sources, the leading growth countries were Ivory Coast, Bangladesh, and Guatemala, at 97, 67, and 63 percent, respectively.

Imports Provide Enhanced Variety

In 1996, U.S. consumers spent \$27.8 billion on processed food imports—approximately \$1 on imports for every \$24 spent on domestic foods. There were 11 food processing industries where U.S. consumers spent at least \$1 billion on imported products.

Many groups, including the news media, trade associations, and public officials, extol the employment and income benefits of exports, while downplaying or even attacking imports. Exports provide additional employment opportunities for U.S. workers and allow some firms to lower costs by achieving greater economies of scale. However, imports also serve a useful function in any economy, and provide numerous benefits to consumers. Trade is a two-way street. Importing food from other countries, especially developing countries, strengthens

Table 3
Leading Processed Food Import Industries

Industry	Imports		Change	
	1995	1996	1994-95	1995-96
	<i>Million dollars</i>		<i>Percent</i>	
Fresh or frozen fish and seafoods	5,616	5,434	2.0	-3.2
Meatpacking	2,494	2,498	-11.7	.2
Canned fruits, vegetables, and jellies	1,503	1,731	11.5	15.1
Wines, brandy, and brandy spirits	1,402	1,724	10.6	23.0
Distilled and blended liquors	1,550	1,714	5.1	10.6
Chocolate and cocoa products	1,106	1,400	9.2	26.6
Vegetable oil, except corn, cottonseed, and soybean	1,241	1,473	21.0	18.7
Malt beverages	1,192	1,341	11.1	12.5
Cane and beet sugar ¹	760	1,199	7.4	57.7
Canned and cured fish and seafoods	1,075	1,173	3.7	9.2
Miscellaneous food preparations	978	1,093	12.5	11.7
Frozen fruits, fruit juices, and vegetables	567	731	-15.6	29.0
Dry, condensed, and evaporated milk	503	621	41.2	23.5
Natural, processed, and imitation cheese	549	584	11.9	6.4
Salted and roasted nuts and seeds	410	445	-2.7	8.4
Candy and other confectionery products	381	417	28.8	9.3
Soft drinks and carbonated waters	319	388	-.4	21.5
Bread and other bakery products	351	360	6.1	2.5
Pickled vegetables, sauces, and salad dressings	283	319	4.8	12.7
Roasted coffee	282	301	30.1	6.5
Wet corn milling (oil and syrup)	241	285	-9.2	18.0
Dried fruits, vegetables, and soup mixes	245	274	-4.7	11.9
Macaroni, spaghetti, vermicelli, and noodles	257	269	7.9	4.5
Prepared animal feed	203	246	12.3	20.8
Cookies and crackers	192	224	12.1	16.8
Rice milling	128	163	-5.9	27.6
Animal and marine fats and oils	116	150	-16.8	29.0
Sausage and prepared meats	161	136	3.6	-15.4
Pet food	101	127	20.0	25.8
Cereal breakfast foods	101	122	11.8	21.2
Flavoring, extracts, and syrups	114	119	39.4	4.4
Flour and grain mill products	86	106	-6.1	22.7
Chewing gum	83	85	16.4	3.0
Soybean oil and meal	53	83	0.6	58.6
Shortening, table oils, and margarine	71	82	45.9	15.9
Frozen bakery products, except bread	60	76	38.1	27.0
Prepared flour mixes and doughs	40	60	44.5	50.9
Canned specialties	54	57	16.1	6.2
Poultry slaughtering and processing	31	45	20.6	46.3
Potato chips, corn chips, and similar snacks	24	30	-3.1	22.2
Manufactured ice	19	26	17.4	37.5
Malt	19	23	50.5	20.5
Creamery butter	1	9	-33.9	556.5
Fluid milk	5	9	4.1	93.2
Frozen specialties	6	6	49.2	4.4
Ice cream and frozen desserts	2	4	78.9	50.9
Cottonseed oil	0	1	-97.3	253.1
Total, all industries	24,974	27,761	4.9	11.2

Note: ¹Combines three cane and beet sugar industries into one industry.

Table 4

Canada Is Also the Largest U.S. Import Source

Source	Imports		Share of SIC-20 imports	Cumulative share of SIC-20 imports	Change	
	1995	1996			1994-95	1995-96
	Million dollars		Percent		Percent	
Canada	4,898.6	5,662.4	20.4	20.4	5.6	15.6
Mexico	1,603.4	1,795.6	6.5	26.9	24.1	12.0
Thailand	1,603.1	1,584.4	5.7	32.6	-4.9	-2.8
France	1,231.2	1,374.3	5.0	37.5	12.4	11.6
Italy	1,073.1	1,307.9	4.7	42.2	15.1	21.9
United Kingdom	811.4	903.2	3.3	45.5	9.7	11.3
The Netherlands	807.7	841.6	3.0	48.5	13.6	4.2
Brazil	677.3	836.0	3.0	51.5	-15.9	23.4
New Zealand	796.5	782.4	2.8	54.3	2.3	-1.8
Australia	735.7	715.5	2.6	56.9	-18.5	-2.7

their businesses and economies and also provides needed cash to use in buying foreign products.

Food imports increase the domestic supply of that product, thereby lowering the domestic product price and increasing domestic consumption. Domestic consumers benefit from the lower prices. They also enjoy a more stable supply of the product, since imports can fill gaps created by shortfalls or seasonal lulls in domestic production.

Some food imports are used as ingredients in the production of other foods in the United States. For example, cocoa is not produced in the United States, but is imported in large quantities to make chocolate and chocolate products.

Some domestic producers (and their employees) are hurt by import competition. Naturally, domestic producers facing foreign competition will want to maintain their market share and may search for ways to lower their production costs, typically through cost-cutting measures, increased productivity, or by importing inputs and ingredients at lower costs than on the domestic market.

Imports provide consumers with a greater variety and range of choice. Many consumers are willing to pay

a higher price for an imported product that is a near-perfect substitute for a domestically produced good, simply because they want a change. Americans consume Danish hams, French wines, and Swiss chocolates, even though Smithfield, Gallo, and Hersheys are major domestic producers and exporters of similar products. And, many U.S. consumers purchase imported beers, even though the U.S. brewing industry is large and comparable beers are available. U.S. beer imports amounted to \$1.34 billion in 1996. However, with \$435 million in exports, beer also ranked as one of the stronger processed food export industries (ranking 18th out of 49 industries).

Having both exports and imports within similar industries is a common phenomenon for processed foods and beverages. Meatpacking, prepared fresh/frozen fish and seafood, and canned fruits and vegetables are on the top 10 list for both exports and imports. Several other industries had record exports and imports simultaneously in 1996, including: natural processed cheese; cookies and crackers; frozen bakery products; wet corn milling; pet food; candy and confections; chocolate

and cocoa; salted and roasted nuts; wines, brandy, and brandy spirits; beverage flavorings and concentrates; roasted coffee; and pasta.

Import and export flows within the same industry show how the processed food sector is truly a global market, with consumers in many countries enjoying each others' bounty. Consumers benefit not only from a wider array of products, but also from greater rivalry among sellers. This enhanced rivalry in turn encourages product, production, and distribution innovations and efficiency, improved quality, and competitive prices.

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